

Message Text

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ACTION EA-14

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TO SECSTATE WASHDC 4901

INFO AMEMBASSY SAIGON

C O N F I D E N T I A L TOKYO 12660

E.O. 11652: GDS

TAGS: EAID JA VS

SUBJ: RESULTS OF SOUTH VIETNAMESE AID MISSION TO JAPAN

REF: (A) TOKYO 12471 (B) SAIGON 12181 (C) TOKYO 11948 (D) TOKYO 6525

SUMMARY. FONOFF WAS DISAPPOINTED IN INCONSISTENCY OF REQUESTS FOR COMMODITY AID MADE BY GVN REPS DURING SUCCESSIVE MEETINGS WITH GOJ MINISTRIES AND BY LACK OF ADEQUATE PREPARATION OF PROJECT LOAN REQUESTS. FONOFF NOW HOPING GOJ WILL PROVIDE 12 BILLION YEN COMMODITY LOAN AND 7 BILLION YEN GRANT DURING JFY 1974, BUT BELIEVES THIS IS MAXIMUM POSSIBLE AND THAT THERE WILL BE NO PROJECT ASSISTANCE. END SUMMARY.

1. ON SEPTEMBER 27 EMBOFF REVIEWED WITH SEZAKI, DEPUTY DIRECTOR, FIRST ECONOMIC COOPERATION DIVISION, FONOFF, RESULTS OF RECENT VISIT BY HIGH LEVEL SOUTH VIETNAMESE MISSION TO JAPAN TO REQUEST ADDITIONAL JAPANESE AID. SEZAKI MADE FOLLOWING POINGS:

2. FONOFF WAS FRANKLY VERY DISAPPOINTED BECAUSE REQUESTS MADE BY GVN REPS DURING SUCCESSIVE MEETINGS WITH GOJ REPS
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WERE NOT CONSISTENT, AND BECAUSE CONTRARY TO GOJ EXPECTATIONS

MISSION WAS NOT WELL PREPARED. LACK OF THOROUGH PREPARATION WAS PERHAPS UNDERSTANDABLE ON OCCASION OF VISIT BY FINANCE MINISTER CHAU AND SPECIAL ASSISTANT HO LAST SPRING (REF D), BUT FONOFF FOUND IT IMPOSSIBLE TO UNDERSTAND SIMILAR DEFICIENCY ON OCCASION OF HIGH LEVEL MISSION WITH EXPRESS PURPOSE OF MAKING FORMAL AID REQUEST. FONOFF EXPRESSED ITS DISAPPOINTMENT TO GVN REPS.

3. RE GRANT AID: GVN REPS REQUESTED 10 BILLION YEN (ABOUT 34 MILLION DOLLARS AT 294 YEN/DOLLAR) NEW GRANT ASSISTANCE, TO WHICH FONOFF RESPONDED IT PREPARED TO GIVE 7 BILLION (ABOUT 24 MILLION DOLLARS). GVN REPS ALSO REQUESTED THAT SOME FUNDS IN GOJ FY 74 BUDGET EARMARKED FOR NORTH VIETNAM BE SWITCHED TO SOUTH VIETNAM, BUT FONOFF EXPLAINED THIS NOT POSSIBLE. FINALLY, GVN REPS REQUESTED THAT GRANT AID PROGRAM BE CONTINUED IN 1975, BUT FONOFF REPS EXPLAINED GOJ VIEW THAT GRANT AID IS FOR EMERGENCY PURPOSES AND THAT 1974 WOULD BE LAST YEAR IN WHICH GOJ WOULD PROVIDE GRANT AID TO SOUTH VIETNAM.

4. RE COMMODITY ASSISTANCE: GVN REPS REQUESTED DURING MEETING WITH FONOFF THAT GOJ PROVIDE 14 BILLION YEN COMMODITY LOAN (ABOUT 47 MILLION DOLLARS) DURING 1974. HOWEVER, IN SUBSEQUENT MEETING WITH MINISTRY OF FINANCE, GVN REPS SAID THEY WOULD SETTLE FOR 12 BILLION YEN (ABOUT 40 MILLION DOLLARS), AND IN LATER MEETING WITH ECONOMIC PLANNING AGENCY THEY REQUESTED 13.5 BILLION. FOLLOWING MEETING AT FONOFF, SEZAKI PREPARED DRAFT PAPER RECOMMENDING 14 BILLION YEN LOAN. UNFORTUNATELY, FIGURE USED BY GVN REPS IN MEETING WITH FINANCE MINISTRY REPS (12 BILLION YEN) WILL NOW BECOME MAXIMUM POSSIBLE. (FINANCE MINISTRY HAD EARLIER APPROVED FONOFF REQUEST FOR 10 BILLION LOAN TO GVN WITHIN CONTEXT OF JAPANESE PROGRAM OF AID TO MOST SERIOUSLY AFFECTED COUNTRIES, SO FINAL FIGURE WILL BE BETWEEN 10 AND 12 BILLION.) FONOFF WILL TRY FOR 12 BILLION, THESE VARYING REQUESTS WERE MADE BY SAME GVN OFFICIALS AND ARE ALL THE MORE DIFFICULT TO UNDERSTAND FOR THIS REASON.

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5. RE PROJECT ASSISTANCE: GVN REPS REQUESTED EQUIVALENT OF 20 MILLION DOLLARS IN PROJECT ASSISTANCE DURING 1974. IN RESPONSE TO FONOFF QUERY RE USE TO WHICH MONEY WOULD BE PUT, GVN REPS EMPHASIZED THAT MONEY SHOULD GO TO PROJECTS IN AGRICULTURAL SECTOR BUT SAID THEY HAD NOT YET DECIDED PROJECT PRIORITIES AND THUS COULD NOT BE MORE SPECIFIC AT THIS TIME. THIS RESPONSE WAS ESPECIALLY SURPRISING TO FONOFF IN THAT FONOFF HAD SUGGESTED EARLIER

TO GVN, THROUGH GOJ EMBASSY SAIGON, THAT GVN COME PREPARED WITH SPECIFIC PROJECT REQUESTS. IN LIGHT OF LACK OF PREPARATION AT TIME OF MEETING, FONOFF NOW FEELS PROJECT ASSISTANCE IS OUT OF QUESTION DURING 1974.

6. IN SUM, SEZAKI REPORTED THAT MAXIMUM NEW GOJ AID TO GVN DURING 1974 WILL BE 12 BILLION YEN LOAN FOR COMMODITIES, 7 BILLION YEN GRANT, AND NOTHING FOR PROJECTS. HOPEFULLY, GOJ INTERMINISTERIAL CONSULTATIONS CAN BE CONCLUDED AND DECISIONS REACHED PRIOR TO INDOCHINA DONORS' MEETING, BUT NO PLEDGE WILL BE MADE AT MEETING AND DECISION WILL NOT BE ANNOUNCED UNTIL AFTER MEETING.

7. DURING SEPTEMBER 24 CONVERSATION BETWEEN ECONOMIC COOPERATION BUREAU DEPUTY DIRECTOR GENERAL KIKUCHI AND RED DIRECTOR RABIN, KIKUCHI REMARKED THAT HE HAD JUST COME FROM MEETING OF GVN REPS WITH FONOFF VICE MINISTER TOGO. KIKUCHI SAID IT WAS DISAPPOINTING TO SEE VIETNAMESE DEMONSTRATE AN ATTITUDE OF SUCH DEPENDENCE ON OUTSIDE HELP. THE FACT THAT THEY ARE DEPENDENT WOULD NOT BE BAD, HE SAID, SO LONG AS THEY DEMONSTRATED AN ATTITUDE OF INDEPENDENCE.

8. COMMENT: SEZAKI'S ACCOUNT OF MISSION RESULTS AND KIKUCHI'S REMARK OBVIOUSLY CONVEY QUITE DIFFERENT IMPRESSION FROM REMARKS OF GVN EMBASSY REP (REF A). END COMMENT.

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